



Federal Deposit Insurance Corporation
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Financial Institution Letter
FIL-40-2005
May 6, 2005

INTERNATIONAL BANKING

Final Rule Relating to International Banking

Summary: The FDIC Board of Directors has adopted various amendments and revisions to its international banking rules, effective July 1, 2005. The final rule amends Parts 303, 325, 327 relating to international banking and revises Part 347, Subparts A and B.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

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Related Topics:

12 CFR Parts 303, 325, 327, and 347

Attachments:

Two *Federal Register* Notices

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Note:

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Highlights:

- The existing rules contained in Part 347, Subparts A and B, have been reorganized and clarified to reduce regulatory burden.
- The availability of general consent for foreign branching and investments by insured state nonmember banks has been expanded.
- The change in ownership of a grandfathered branch, without loss of grandfathered status, has been addressed.
- The information and examination commitments required in connection with deposit insurance applications of U.S. branches of foreign banks have been revised to address deposit insurance applications of depository institution subsidiaries of foreign banks, agents for service, and consent to U.S. jurisdiction by foreign banks.
- The FDIC's relocation rule for existing insured U.S. branches of foreign banks ("grandfathered branches") has been amended to address intrastate and interstate relocations.
- The "fixed" percentage asset pledge requirement for grandfathered branches has been replaced by a risk-focused asset pledge and the list of assets eligible to be pledged has been revised.
- The amendments and revisions contained in the final rule are effective on July 1, 2005.

INTERNATIONAL BANKING

Final Rule Relating to International Banking

The Federal Deposit Insurance Corporation (FDIC) Board of Directors has adopted various amendments and revisions to its international banking rules. The amendments and revisions concern Parts 303, 325, 327 and 347 of the FDIC's Rules and Regulations and will become effective on July 1, 2005.

To reduce regulatory burden, the existing rules in Part 347, Subparts A and B, have been reorganized and clarified. For example:

- The FDIC has revised the lists of authorized activities for foreign branches and investments of state nonmember banks under Subpart A to more closely track the parallel provisions of Regulation K for member banks. The revised lists of activities authorized for state nonmember bank foreign branches and investments also address approval of activities, in some circumstances, under Part 362 of the FDIC's Rules and Regulations, as well as under Part 347.
- The FDIC's rules relating to general consent, expedited processing, and specific consent for branching and investments have also been placed in separate sections specifically addressing the type of application processing being sought. In addition, revisions to Subpart A expand, in certain circumstances, general consent for insured state nonmember banks to operate branches in foreign countries and invest in foreign organizations. They also address circumstances in which termination of activities in foreign countries or divestiture may be required.

A combination of changes to Part 303, Subpart J, and Part 347, Subpart B, deal with insured U.S. branches of foreign banks ("grandfathered branches"). These amendments reorganize the FDIC's existing rules to more clearly indicate when the rules apply to state and federal insured branches or only to state branches. They also address:

- Changes in ownership of grandfathered branches without loss of grandfathered status;
- Application requirements for branches seeking to relocate within the same state or in another state;
- Substituting a risk-focused asset pledge requirement that will generally range from 2 to 8 percent for the existing 5 percent "fixed" asset pledge; and
- Revision of the kinds of assets that foreign banks may pledge to the FDIC under the FDIC's asset pledge rule.

In addition, the final rule addresses cross-border supervisory information-sharing and revises the FDIC's foreign bank examination and information commitment regulation to address deposit insurance applications of depository institution subsidiaries of foreign banks, agents for service, and consent to U.S. jurisdiction by foreign banks.

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